

The Metropolitan Trust Company

Interim Report to Shareholders for the Six Months Ended June 30, 1978

Growth has continued at a record pace in 1978. Revenues were up 17 percent in the first six months to more than \$28.8 million. Earnings from operations increased 14 percent to \$1.67 million from \$1.46 million in the first half of 1977.

After tax profit on the sale of securities and income-producing property amounted to \$725,000 in the first half of this year compared to \$6,000 in 1977.

Our investment in Transohio Financial Corporation is proving to be sound. Metro's share of Transohio's after tax earnings for the first six months of 1978 totalled \$1.45 million.

Net earnings for the period, including gain on sale of securities and property as well as participation in Transohio, reached \$3.84 million, compared to \$1.46 million in the comparable period of last year.

Net earnings per share were \$2.62 compared to \$1.35 in 1977, despite the fact that there were 35 percent more shares outstanding during the 1978 period.

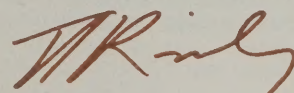
On June 15, 1978, your Company paid a 5 percent stock dividend and earnings per share for 1977 have been restated to reflect this dividend. In addition, an interim cash dividend of 25¢ a share was paid on May 16 of this year.

The Company is reluctant to include unrealized foreign exchange gains resulting from translation of the accounts of its U.S. subsidiaries and Transohio into Canadian dollars. Therefore, the unrealized net translation gain of \$640,000 at June 30 is being deferred until a review has been made of our accounting practices. The Canadian Institute of Chartered Accountants has recently announced that new recommendations governing translation of foreign currency holdings will be issued in September of this year to be effective January 1, 1979.

Metro Trust has entered into an agreement to acquire a majority interest in McLean, Budden, one of Canada's largest and most successful investment counsellors. McLean, Budden administers assets of approximately \$500 million, much of it in pension funds of some of Canada's largest and best known companies. When completed, this acquisition will give Metro a competitive edge in what should prove to be a major growth industry of the future as well as helping us to make more efficient use of our own capital. In addition it will increase our assets under administration to approximately \$2 billion.

The Company has reintroduced marketing of university Scholarship Plans through a subsidiary company, Scholarship Consultants of North America. Metro Trust has acted as Trustee and Depository for the International Scholarship Foundation since 1967, but will now play an active role in the marketing of these Plans as well.

The cost of university education has risen substantially in the past few years and these increases are expected to continue. So it's important, especially for families with young children, to provide for this major future expense. The Scholarship Plans, which are available through Metro Trust branches, are an effective yet inexpensive method of planning for a child's future education.



President

The Metropolitan Trust Company

(Incorporated under The Loan and Trust Corporations Act of Ontario)

and its subsidiaries

Consolidated Balance Sheet

June 30, 1978 (with comparative figures at June 30, 1977)

(Unaudited)

ASSETS

	1978	1977
Cash and bank deposit receipts	\$ 29,484,000	\$ 33,134,000
Short-term investments, at cost which approximates market value	12,074,000	17,377,000
Bonds:		
Government of Canada and Provincial	33,033,000	25,337,000
Municipal and Corporate	5,426,000	5,828,000
Total, at amortized cost (market value 1978 — \$37,569,000; 1977 — \$31,011,000)	38,459,000	31,165,000
Stocks, at cost (market value 1978 — \$22,682,000; 1977 — \$14,325,000)	20,632,000	12,468,000
Interest accrued on investments and loans	6,390,000	6,380,000
Fees, commissions and other receivables	936,000	429,000
Mortgages, loans and advances:		
Mortgage loans, at amortized cost	428,265,000	362,326,000
Advances on mortgages to be resold	6,147,000	13,657,000
Advances to estates, trusts and agencies	2,051,000	232,000
Personal and secured loans	9,095,000	5,049,000
	445,558,000	381,264,000
Investment in affiliated company, Transohio Financial Corporation, at equity (market value \$12,995,000)	14,448,000	—
Income-producing properties, at cost less accumulated depreciation of \$172,000 (1977 — \$138,000)	3,580,000	3,784,000
Deferred cost of scholarship programme, less amortization	138,000	250,000
Premises, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$1,642,000 (1977 — \$1,634,000)	5,387,000	1,186,000
Other assets	256,000	—
	<u>\$577,342,000</u>	<u>\$487,437,000</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1978	1977
Deposits and borrowings:		
Savings and chequing deposits	\$160,284,000	\$129,860,000
Term deposits	62,843,000	52,943,000
Investment certificates	285,498,000	255,651,000
Interest accrued on deposits and borrowings	19,212,000	15,676,000
	527,837,000	454,130,000
Other liabilities:		
Sundry accrued liabilities	1,031,000	655,000
Income taxes payable	408,000	469,000
Mortgages payable on income-producing properties	626,000	1,604,000
Demand loan	1,504,000	—
	3,569,000	2,728,000
Deferred foreign exchange gains (Note 1)	640,000	—
Deferred income taxes	2,174,000	2,213,000
Subordinated notes	4,218,000	4,032,000
Shareholders' Equity:		
Capital stock — Authorized: 1,800,000 shares without par value Issued: 1,466,373 shares (1977 — 1,015,708)	19,291,000	10,696,000
Contributed surplus	2,422,000	2,422,000
Reserve fund	5,500,000	5,000,000
Retained earnings	11,691,000	6,216,000
	<u>38,904,000</u>	<u>24,334,000</u>
On behalf of the Board:		
RUDOLF V. FRASTACKY, Chairman of the Board		
T. STEWART RIPLEY, President		
	<u>\$577,342,000</u>	<u>\$487,437,000</u>

The Metropolitan Trust Company

and its subsidiaries

Consolidated Statement of Earnings for the six months ended June 30, 1978

(with comparative figures for the six months ended
June 30, 1977)

(Unaudited)

	1978	1977
INCOME:		
Interest on mortgages	\$20,413,000	\$18,651,000
Interest and dividends on securities	5,093,000	3,940,000
Interest on personal and secured loans	389,000	365,000
Fees and commissions from —		
Estates, trusts and agencies	1,392,000	1,135,000
Real estate	173,000	98,000
Mortgages	548,000	408,000
Other sources	873,000	104,000
	<u>28,881,000</u>	<u>24,701,000</u>
EXPENSE:		
Interest on deposits and borrowings	20,150,000	17,731,000
Salaries and staff benefits	3,140,000	2,651,000
Premises expense	813,000	662,000
Other operating expenses	2,035,000	1,363,000
	<u>26,138,000</u>	<u>22,407,000</u>
Earnings before income taxes (Note 2)	2,743,000	2,294,000
Income taxes	1,072,000	831,000
Earnings before the following:	1,671,000	1,463,000
Profits on sales of securities (net of income taxes of \$179,000 in 1978; \$7,000 in 1977)	546,000	6,000
Profit on sale of income-producing property (net of income taxes of \$57,000)	179,000	—
Equity in earnings of affiliated company	1,452,000	—
NET EARNINGS	<u>\$3,848,000</u>	<u>\$1,469,000</u>
Earnings per share, based on the weighted average number of shares outstanding (Note 3):		
Earnings before the following: ...	\$1.14	\$1.34
Profits on sales of securities37	.01
Profit on sale of income-producing property12	—
Equity in earnings of affiliated company99	—
NET EARNINGS	<u>\$2.62</u>	<u>\$1.35</u>

Consolidated Statements of Contributed Surplus, Reserve Fund and Retained Earnings for the six months ended June 30, 1978

(with comparative figures for the six months ended
June 30, 1977)

(Unaudited)

Contributed Surplus

	1978	1977
BALANCE, BEGINNING AND END OF PERIOD	<u>\$2,422,000</u>	<u>\$2,422,000</u>

Reserve Fund

	1978	1977
BALANCE, BEGINNING AND END OF PERIOD	<u>\$5,500,000</u>	<u>\$5,000,000</u>

Retained Earnings

	1978	1977
BALANCE, BEGINNING OF PERIOD	\$8,199,000	\$4,752,000
Add net earnings	3,848,000	1,469,000
	<u>12,047,000</u>	<u>6,221,000</u>
Deduct:		
Stock dividends capitalized at 10 cents per share — 69,775 shares (1977 — 48,321 shares)	7,000	5,000
Cash dividends	349,000	—
	<u>356,000</u>	<u>5,000</u>
BALANCE, END OF PERIOD	<u>\$11,691,000</u>	<u>\$6,216,000</u>

Notes to Consolidated Financial Statements June 30, 1978

(Unaudited)

- The company has concluded that unrealized foreign exchange gains arising on translation of the accounts of its U.S. subsidiaries and Transohio Financial Corporation should be deferred and not taken into income pending a complete review of the company's accounting policies in this respect. Such a review is particularly appropriate as the Canadian Institute of Chartered Accountants has recently announced that new recommendations covering translation of foreign currency transactions and foreign currency financial statements will be issued in September 1978 to be effective January 1, 1979. Accordingly, unrealized net translation gains of \$640,000 (\$728,000 gain in the first quarter and \$88,000 loss in the second quarter) representing \$0.44 per share have been deferred and excluded from reported net earnings for the six months ending June 30, 1978.
- Earnings before income taxes include non-taxable dividends and amortization totalling \$679,000 (1977 — \$625,000).
- The 1977 comparative earnings per share have been restated to reflect the 5% stock dividend paid in June of 1978.



Metro Trust

The Metropolitan Trust Company

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353 Bay St., Ken MacStephen, Mgr.

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236-1107

2326 Bloor St. W., John DeJong, Mgr.

763-5551

665 Danforth Ave., John McCarthy, Mgr.

461-0221

43 Eglinton Ave. E., Ethel Natolochny, Mgr.

485-1173

852 Eglinton Ave. W., Robert Reeves, Mgr.

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45 Overlea Blvd., Jim Williams, Mgr.

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654-8906

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638-1955

1250 South Service Rd., Don Rogers, Mgr.

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223-6420

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683-7344

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878-4173

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869-1100

116 Lisgar St., Ottawa, Ont.

238-8660

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869-1880

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Metro Trust

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SUBSIDIARY COMPANIES:

Canreit Advisory Corporation
CDI Financial Corporation
Canadian First Mortgage Corporation
International Savings and Mortgage Corporation
Scholarship Consultants of North America Ltd.
Metco Investments Limited